final and Submitted
30/10/2020

Bela Bela Local Municipality
(Registration number LIM 366)
Annual Financial Statements
for the year ended 30 June 2020

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 115 (1) of the Constitution of the republic of South Africa (Act No. 108 or 1998)
Nature of business and principal activities	Bela-Bela is a category B Local Municipality performing the functions as set out in the Constitution (Act No 108 of 1998)
Executive Committee	
Mayor	Hon. M.J. Ngobeni
Executive councillors	Cllr S.E. Maluleka Cllr M.N. Ras
Speaker	Cllr R.Z. Moeletsi
Chief Whip	Cllr M.H. Ledwaba
Councillors	Cllr P.M. Aphane Cllr F.S. Hlungwane Cllr M.J. Makhubela Cllr Y.M.S. Malete Cllr B.T. Maname Cllr T.R. Masemola Cllr L.R. Modimola Cllr A.R. Mosweou Cllr K.L. Mothokwa Cllr S.D. Seale Cllr M.D. Senosha Cllr M.A. Shika
Grading of local authority	Level 3
Accounting Officer	Mr. S.M Makhubela
Chief Financial Officer (CFO)	Mr. R.M Marutha
Registered office	58 Chris Hani Drive Bela Bela
Website	www.belabela.gov.za
Postal address	Private Bag X1609 Bela Bela 0480
Bankers	ABSA
Auditors	Auditor-General of South Africa
Attorneys	Moloto Attorneys Mohale Incorporated Attorneys
Legislation applicable to the municipality	Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 117 of 1998) Local Government: Municipal Structures Act (Act No.117 of 1998) Constitution of the Republic of South Africa (Act No.108 of 1998) Municipal Property Rates Act (Act No. 6 2004) Division of Revenue Act (Act no 1 of 2007)
Published	30 October 2020

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The reports and statements set out below comprise the annual financial statements presented to the council:

ASB	Accounting Standards Board
COID	Compensation for Occupational Injuries and Diseases
COVID-19	Corona Virus Disease
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practise
IGRAP	Interpretation of Generally Recognised Accounting Practise
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
SCM	Supply Chain Management

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the MFMA to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with GRAP including any Interpretations, Guidelines and Directives issued by the ASB.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I, as the accounting officer acknowledges that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the community and government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although I am primarily responsible for the financial affairs of the municipality, I am supported by the municipality's external auditors.

I would like to bring the following matters to your attention:

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 29 - Councillors remuneration to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on page 4-101, which have been prepared on the going concern basis, were approved by the accounting officer on 30 October 2020 and were signed on its behalf by:

Mr. S.M Makhubela
Accounting officer

Bela-Bela

Friday, 30 October 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	3	327 740	267 725
Receivables from exchange transactions	4&5	23 772 119	30 012 568
Statutory receivables	6&5	18 948 093	6 491 680
VAT receivable	7	7 909 199	9 544 576
Agreements	8	279 461	602 024
Receivables from non-exchange transactions		2 218 490	1 886 241
Cash and cash equivalents	9	10 201 964	13 678 502
		63 657 066	**62 483 316**
Non-Current Assets			
Investment property	10	279 138 852	284 835 563
Property, plant and equipment	11	776 141 521	736 371 229
Intangible assets	12	1 860 365	2 178 401
Heritage assets	13	538 950	538 950
Agreements	8	113 240	182 470
		1 057 792 928	**1 024 106 613**
Total Assets		**1 121 449 994**	**1 086 589 929**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	153 687 912	155 526 406
Consumer deposits	15	6 023 767	5 778 684
Unspent conditional grants and receipts	16	21 847 140	11 289 900
Provisions	17	813 055	682 193
Employee benefit obligation	18	2 726 000	2 361 103
		185 097 874	**175 638 286**
Non-Current Liabilities			
Provisions	17	62 284 208	48 493 598
Employee benefit obligation	18	45 274 870	37 295 957
		107 559 078	**85 789 555**
Total Liabilities		**292 656 952**	**261 427 841**
Net Assets		**828 793 042**	**825 162 088**
Accumulated surplus		828 793 042	825 162 088

* See Note 51

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	173 173 730	159 834 123
Sale of goods and rendering of services		220 068	276 874
Rental of facilities and equipment		1 412 062	1 387 518
Agency services	20	3 490 156	2 496 703
Licences and permits		1 414 302	1 241 209
Cemetery Fees		360 111	323 554
Commission received		87 298	70 841
Demand charges		305 333	454 263
Other income	21	5 808 952	7 371 152
Interest received - investment	22	13 829 186	12 787 807
Fair value adjustments	10	-	2 820 154
Actuarial gains	23	-	13 767 173
Total revenue from exchange transactions		**200 101 198**	**202 831 371**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	74 791 581	68 760 592
Transfer revenue			
Government grants and subsidies	25	160 399 393	172 373 407
Fines, penalties and forfeits	26	6 565 250	6 090 600
Total revenue from non-exchange transactions		**241 756 224**	**247 224 599**
Total revenue		**441 857 422**	**450 055 970**
Expenditure			
Employee related costs	27	(142 458 444)	(130 128 348)
Remuneration of councillors	28	(7 691 102)	(7 363 906)
Depreciation and amortisation	29	(30 432 459)	(29 950 597)
Finance costs	30	(16 482 739)	(12 147 753)
Debt impairment	31	(28 437 470)	(36 879 735)
Bulk purchases	32	(111 705 282)	(97 198 509)
Contracted services	33	(40 862 033)	(22 463 058)
Loss on disposal of assets and liabilities		(30 779)	(76 765)
Fair value adjustments	10	(5 696 711)	-
Actuarial losses	23	(2 723 792)	-
General expenses	34	(51 705 657)	(57 841 941)
Total expenditure		**(438 226 468)**	**(394 050 612)**
Surplus for the year		**3 630 954**	**56 005 358**

* See Note 51

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	755 756 305	755 756 305
Adjustments		
Prior year adjustments	13 400 425	13 400 425
Balance at 01 July 2018 as restated*	**769 156 730**	**769 156 730**
Changes in net assets		
Surplus for the year	56 005 358	56 005 358
Total changes	56 005 358	56 005 358
Restated* Balance at 01 July 2019	**825 162 088**	**825 162 088**
Changes in net assets		
Surplus for the year	3 630 954	3 630 954
Total changes	3 630 954	3 630 954
Balance at 30 June 2020	**828 793 042**	**828 793 042**

* See Note 51

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Property rates and traffic fines		51 353 066	73 582 697
Service charges		165 711 901	136 978 675
Grants		170 956 633	182 661 048
Interest income		13 829 186	1 764 101
Other receipts		14 004 952	11 904 378
		415 855 738	406 890 899
Payments			
Employee costs		(144 027 043)	(132 003 873)
Suppliers		(202 697 609)	(175 253 027)
Finance costs		(12 272 385)	(8 811 427)
		(358 997 037)	(316 068 327)
Net cash flows from operating activities	36	**56 858 701**	**90 822 572**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(60 335 239)	(73 656 385)
Cash flows from financing activities			
Finance lease payments		-	(7 669 362)
Net increase/(decrease) in cash and cash equivalents		**(3 476 538)**	**9 496 823**
Cash and cash equivalents at the beginning of the year		13 678 502	4 181 679
Cash and cash equivalents at the end of the year	9	**10 201 964**	**13 678 502**

* See Note 51

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	198 373 974	-	**198 373 974**	173 173 730	**(25 200 244)**	51.1
Sale of goods and rendering of services	2 490 480	-	**2 490 480**	220 068	**(2 270 412)**	
Rental of facilities and equipment	1 461 996	200 000	**1 661 996**	1 412 062	**(249 934)**	51.2
Licences and fees, Agency fees, Commission received and Demand charges	4 925 784	-	**4 925 784**	5 297 089	**371 305**	
Cemetry fees	588 228	-	**588 228**	360 111	**(228 117)**	51.3
Other income	16 424 962	2 011 016	**18 435 978**	5 808 952	**(12 627 026)**	
Interest received - investment	4 272 444	(2 000 000)	**2 272 444**	13 829 186	**11 556 742**	51.4
Total revenue from exchange transactions	**228 537 868**	**211 016**	**228 748 884**	**200 101 198**	**(28 647 686)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	90 845 448	-	**90 845 448**	74 791 581	**(16 053 867)**	51.5
Transfer revenue						
Government grants and subsidies	170 566 008	9 090 635	**179 656 643**	160 399 393	**(19 257 250)**	51.6
Fines, penalties and forfeits	17 526 096	(7 526 096)	**10 000 000**	6 565 250	**(3 434 750)**	51.7
Total revenue from non-exchange transactions	**278 937 552**	**1 564 539**	**280 502 091**	**241 756 224**	**(38 745 867)**	
Total revenue	**507 475 420**	**1 775 555**	**509 250 975**	**441 857 422**	**(67 393 553)**	
Expenditure						
Employee costs	(132 354 984)	(10 358 951)	**(142 713 935)**	(142 458 444)	**255 491**	
Remuneration of councillors	(7 842 828)	431 353	**(7 411 475)**	(7 691 102)	**(279 627)**	
Depreciation and amortisation	(50 880 000)	20 000 000	**(30 880 000)**	(30 432 459)	**447 541**	
Finance costs	(6 999 996)	(5 000 004)	**(12 000 000)**	(16 482 739)	**(4 482 739)**	51.8
Debt impairment	(8 999 916)	-	**(8 999 916)**	(28 437 470)	**(19 437 554)**	51.9
Bulk purchases	(114 240 744)	(3 659 256)	**(117 900 000)**	(111 705 282)	**6 194 718**	
Contracted services	(32 092 180)	(6 017 384)	**(38 109 564)**	(40 862 033)	**(2 752 469)**	51.10
General expenses and other materials	(61 636 456)	11 551 444	**(50 085 012)**	(51 705 657)	**(1 620 645)**	51.11
Total expenditure	**(415 047 104)**	**6 947 202**	**(408 099 902)**	**(429 775 186)**	**(21 675 284)**	
Operating surplus	**92 428 316**	**8 722 757**	**101 151 073**	**12 082 236**	**(89 068 837)**	
Loss on disposal of assets and liabilities	-	-	-	(30 779)	**(30 779)**	51.12
Fair value adjustments	-	-	-	(5 696 711)	**(5 696 711)**	51.13
Actuarial gains/losses	-	-	-	(2 723 792)	**(2 723 792)**	51.14
	-	-	-	**(8 451 282)**	**(8 451 282)**	
Surplus before taxation	**92 428 316**	**8 722 757**	**101 151 073**	**3 630 954**	**(97 520 119)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**92 428 316**	**8 722 757**	**101 151 073**	**3 630 954**	**(97 520 119)**	

Bela Bela Local Municipality
(Registration number LIM 366)
Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	230 000	170 000	**400 000**	327 740	**(72 260)**	51.15
Receivables from exchange transactions, Statutory recivable and VAT receivable	38 633 055	2 583 816	**41 216 871**	50 629 411	**9 412 540**	51.16
Agreements	-	-	-	279 461	**279 461**	51.17
Receivables from non-exchange transactions	-	-	-	2 218 490	**2 218 490**	51.18
Cash and cash equivalents	50 000 000	(33 701 428)	**16 298 572**	10 201 964	**(6 096 608)**	51.19
	88 863 055	**(30 947 612)**	**57 915 443**	**63 657 066**	**5 741 623**	
Non-Current Assets						
Investment property	310 216 950	(25 381 387)	**284 835 563**	279 138 852	**(5 696 711)**	
Property, plant and equipment	745 394 899	94 561 690	**839 956 589**	776 141 521	**(63 815 068)**	
Intangible assets	3 030 000	(534 522)	**2 495 478**	1 860 365	**(635 113)**	51.20
Heritage assets	-	600 000	**600 000**	538 950	**(61 050)**	51.21
Agreements	-	-	-	113 240	**113 240**	51.22
	1 058 641 849	**69 245 781**	**1 127 887 630**	**1 057 792 928**	**(70 094 702)**	
Total Assets	**1 147 504 904**	**38 298 169**	**1 185 803 073**	**1 121 449 994**	**(64 353 079)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	60 000 000	137 518 966	**197 518 966**	153 687 912	**(43 831 054)**	51.23
Consumer deposits	6 000 000	(221 313)	**5 778 687**	6 023 767	**245 080**	
Employee benefit obligation	-	-	-	2 726 000	**2 726 000**	
Unspent conditional grants and receipts	-	-	-	21 847 140	**21 847 140**	51.24
Provisions	12 127 844	(11 127 844)	**1 000 000**	813 055	**(186 945)**	51.25
	78 127 844	**126 169 809**	**204 297 653**	**185 097 874**	**(19 199 779)**	
Non-Current Liabilities						
Provisions	63 486 494	26 513 506	**90 000 000**	107 559 078	**17 559 078**	51.25
Total Liabilities	**141 614 338**	**152 683 315**	**294 297 653**	**292 656 952**	**(1 640 701)**	
Net Assets	**1 005 890 566**	**(114 385 146)**	**891 505 420**	**828 793 042**	**(62 712 378)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 005 890 556	(114 385 145)	**891 505 411**	828 793 042	**(62 712 369)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of GRAP, issued by the ASB in accordance with Section 122(3) of the MFMA.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rands. All figures are rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Loans and receivables

The municipality assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is first for individually significant loans and receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment

For loans and receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of potentially impaired cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the value-in use assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Value in use of cash-generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates and inflation interest.

Value in use of non-cash-generating assets

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement and long-term obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement and long-term obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement and long-term obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

The municipality uses the prime interest rate to discount future cash flows.

Accounting Policies

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or for
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development in the notes to the annual financial statements, which include: the cumulative expenditure recognised in the carrying value of investment property; the carrying value of investment property that is taking a significantly longer period of time to complete than expected; and the carrying value of investment property where construction or development has been halted (see note 10).

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Accounting Policies

1.4 Property, plant and equipment (continued)

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average/range of useful life
Buildings	Straight-line	15-60 years
Community	Straight-line	10-60 years
Emergency equipment	Straight-line	2-5 years
Furniture and fixtures	Straight line	5 years
Infrastructure	Straight-line	5-100 years
Land	Straight-line	Indefinite
Motor vehicles	Straight-line	3-10 years
Office equipment	Straight-line	5-12 years
Plant and equipment	Straight-line	4-10 years
Recreational facilities	Straight-line	10-100 years

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.4 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the annual financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development in the notes to the annual financial statements, which include: the cumulative expenditure recognised in the carrying value of an item of property, plant and equipment; the carrying value of an item of property, plant and equipment that is taking a significantly longer period of time to complete than expected; and the carrying value of an item of property, plant and equipment where construction or development has been halted (see note 11).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on Impairment of cash-generating assets and/or Impairment of non-cash-generating assets.

1.6 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified computer software and servitudes as intangible assets.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

1.6 Intangible assets (continued)

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Amortisation is provided on a straight line basis over the expected useful lives of the intangible assets.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Should the estimate change the municipality revises the expected useful life accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

The useful lives of intangible assets have been assessed as follows:

Item	Depreciation method	Average/range of useful life
Computer software	Straight-line	2-5 years
Servitudes	Straight-line	Indefinite

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The municipality has classified historic buildings as heritage assets.

An inalienable item is an asset that the municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the annual financial statements (see note 13).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Subsequent measurement

Subsequent to initial measurement, classes of heritage assets are carried at cost less any accumulated impairment losses.

1.7 Heritage assets (continued)

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.8 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is the higher of a cash-generating asset's or cash-generating unit's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows: the current profitability of the unit, as well as management's assessment of the possibility of a unit becoming profitable.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of non-cash-generating assets.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use, the municipality:
- bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- bases cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimates cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments, where applicable.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows: consideration is given to the nature of the assets, whether it is primarily to provide a service to the community, and whether there is any realistic possibility of the asset being used in a commercial and profitable manner.

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.9 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Accounting Policies

1.10 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Agreements	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exhange transactions	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

Accounting Policies

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Discounting of short-term receivables and payables

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.10 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.11 Statutory receivables

Identification

Accounting Policies

1.11 Statutory receivables (continued)

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Statutory receivables arise from d non-exchange transactions. Statutory receivables arise from the following legislation:

Municipal Property Rates Act (Act no 6 of 2004)
Criminal Procedures Act (Act no 51 of 1977)

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent;
- it is probable that the debtor will enter sequestration, liquidation or other financial re-organisation;
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied); and

Accounting Policies

1.13 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO). The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

1.15 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991).

The municipality is registered as a category C VAT vendor. VAT receivable or payable is calculated on a monthly basis. VAT receivable is treated as current assets while VAT payable is treated as current liablity.

1.16 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- the municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

Accounting Policies

1.16 Employee benefits (continued)

A constructive obligation is an obligation that derives from the municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.16 Employee benefits (continued)

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Accounting Policies

1.16 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

1.17 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficit.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.17 Provisions and contingencies (continued)

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:
- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on Impairment of assets as described in accounting policy 1.8 and 1.9.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Accumulated surplus/(deficit)

The accumulated surplus/(deficit) represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/(deficit). Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

Interest

Revenue arising from the use by others of entity assets yielding interest and dividends or similar distributions is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.20 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Revenue received from conditional grants, donations and other funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement, where applicable. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Services in-kind

The municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

1.21 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the event giving rise to the transfer has occurred.

1.22 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.23 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 45 - Unauthorised expenditure.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 46 - Fruitless and wasteful expenditure.

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the MFMA, the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy.

1.26 Irregular expenditure (continued)

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on irregular expenditure, refer to note 47 - Irregular expenditure.

1.27 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are made in respect of unrecognised contractual commitments, which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to operating leases. Refer to note 38 - Commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Commitments consist of expenditure committed but not yet incurred. Commitments are categorised as follows:

- Commitments approved and contracted for,
- Commitments approved but not yet contracted for.

1.28 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that municipality's legal mandate.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

1.30 Events after reporting date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 20: Related Parties

The objective of this Standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this Standard referred to as the reporting entity) shall apply this Standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The Standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- a person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- an entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The Standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The Standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence.

The Standard sets out the requirements, inter alia, for the disclosure of:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Control;
- Related party transactions; and
- Remuneration of management.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for statutory receivables.

Statutory receivables are receivables that:
(a) arise from legislation, supporting regulations, or similar means; and
(b) require settlement by another entity in cash or another financial asset.

It furthermore covers: Definitions, Recognition, Derecognition, Measurement, Presentation and disclosure, Transitional provisions, and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements. No transitional provisions was used. Refer to note 11.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers: Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation and disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property, Property, Plant and Equipment, or Heritage Assets. As this Interpretation does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality has adopted the interpretation for the first time in the 2019/2020 annual financial statements.

The adoption of this interpretation has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that:
(a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making;
(b) using fair value in certain instances was inappropriate; and
(c) some of the existing accounting requirements were seen as too rules based.

As a result, the IASB amended its existing Standards to deal with these issues. The IASB issued the IFRS Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to the IFRS Standard on Financial Instruments: Presentation (IAS 32) and the IFRS Standard on Financial Instruments: Disclosures (IFRS 7). The IPSASB issued revised IPSASs in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- financial guarantee contracts issued;
- loan commitments issued;
- classification of financial assets;
- amortised cost of financial assets;
- impairment of financial assets; and
- disclosures.

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

Guideline on Accounting for Landfill Sites

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Constitution of the Republic of South Africa, gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology and References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

Guideline on the Application of Materiality to Financial Statements

The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP and References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

IGRAP 20: Accounting for Adjustments to Revenue

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity should apply judgement based on past experience and current facts and circumstances in the identification of significant accounting policies.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020/2021 annual financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The amendments to this Interpretation clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

.The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

An entity should apply judgement based on past experience and current facts and circumstances in determining the amount of revenue to be recognised.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand		2020	2019

3. Inventories

Water		327 740	267 725

Inventory pledged as security

No inventory was pledged as security.

Water inventory

Opening balance		267 725	206 228
Purchases		29 837 470	17 015 944
Sales	32	(23 518 070)	(12 866 829)
Distribution loss		(6 259 385)	(4 087 618)
Closing balance		**327 740**	**267 725**

4. Receivables from exchange transactions

Other debtors	1 286 798	1 581 527
Water District Municipality fire fighting	1 692 668	1 357 583
Consumer debtors - Electricity	5 000 688	4 384 573
Consumer debtors - Water	3 862 193	1 465 214
Consumer debtors - VAT	278 866	1 043 775
Consumer debtors - Sewerage	2 267 492	758 275
Consumer debtors - Refuse	1 100 196	405 359
Consumer debtors - Interest	5 575 647	99 506
Consumer debtors - Fees	1 272 097	134 258
Consumer debtors - Rental charges	77 007	134 878
Consumer debtors - Merchandising and jobbing	1 358 467	18 647 620
	23 772 119	**30 012 568**

Trade and other receivables pledged as security

No trade or other receivables was pledged as security.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade and other receivables past due but not impaired

Impairment is only calculated on consumer debtors. All consumer debtors that were past due, was impaired.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

4. Receivables from exchange transactions (continued)

Trade and other receivables impaired

As of 30 June 2020, trade and other receivables of R 118 735 014 (2019: R 123 690 223) were impaired and provided for.

The amount of the allowance was R 97 942 360 as of 30 June 2020 (2019: R 96 615 973).

The ageing of these consumer debtors are as follows:

Current (0-30 days)	39 655	12 124 935
31 - 60 days	11 711 610	5 004 575
61 - 90 days	4 603 117	3 384 873
91 - 120 days	4 039 026	2 532 265
121 - 365 days	20 397 367	15 647 706
> 365 days	77 944 239	84 995 869
	118 735 014	**123 690 223**

Reconciliation of allowance for impairment of trade and other receivables

Opening balance	(96 615 973)	(83 203 235)
Allowance for impairment	(10 890 117)	(22 526 612)
Amounts written off as uncollectible	9 564 521	9 113 874
	(97 941 569)	**(96 615 973)**

The creation and release of a provision for impaired receivables have been included in operating expenses in surplus or deficit (note 32). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The municipality does not hold any collateral as security.

5. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	108 796 130	75 353 045
Consumer debtors - Electricity	15 134 342	10 830 588
Consumer debtors - Water	38 551 902	20 301 830
Consumer debtors - VAT	2 564 186	9 294 616
Consumer debtors - Sewerage	21 446 385	11 170 793
Consumer debtors - Refuse	8 746 290	4 754 091
Consumer debtors - Interest	21 303 863	40 877 410
Consumer debtors - Fees	5 727 785	4 146 704
Consumer debtors - Rental charges	1 156 029	968 566
Consumer debtors - Merchandising and jobbing	4 104 231	21 345 625
	227 531 143	**199 043 268**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

5. Consumer debtors disclosure (continued)

Less: Allowance for impairment		
Consumer debtors - Rates	(91 165 427)	(72 020 398)
Consumer debtors - Electricity	(10 133 654)	(6 446 015)
Consumer debtors - Water	(34 689 709)	(18 836 616)
Consumer debtors - VAT	(2 285 320)	(8 250 841)
Consumer debtors - Sewerage	(19 178 893)	(10 412 518)
Consumer debtors - Refuse	(7 646 094)	(4 348 732)
Consumer debtors - Interest	(15 728 216)	(40 777 904)
Consumer debtors - Fees	(4 455 688)	(4 012 446)
Consumer debtors - Rental charges	(1 079 022)	(833 688)
Consumer debtors - Merchandising and jobbing	(2 745 764)	(2 698 005)
	(189 107 787)	**(168 637 163)**

Net balance		
Consumer debtors - Rates	17 630 703	3 332 647
Consumer debtors - Electricity	5 000 688	4 384 573
Consumer debtors - Water	3 862 193	1 465 214
Consumer debtors - VAT	278 866	1 043 775
Consumer debtors - Sewerage	2 267 492	758 275
Consumer debtors - Refuse	1 100 196	405 359
Consumer debtors - Interest	5 575 647	99 506
Consumer debtors - Fees	1 272 097	134 258
Consumer debtors - Rental charges	77 007	134 878
Consumer debtors - Merchandising and jobbing	1 358 467	18 647 620
	38 423 356	**30 406 105**

Statutory receivables included in consumer debtors above are as follows:		
Consumer debtors - Rates	17 630 703	3 332 647
Financial asset receivables included in consumer debtors above	**20 792 653**	**27 073 458**
Total consumer debtors	38 423 356	30 406 105

Included in above is receivables from exchange transactions		
Electricity	5 000 688	4 384 573
Fees	1 272 097	134 258
Interest	5 575 647	99 506
Merchandising and jobbing	1 358 467	18 647 620
Refuse	1 100 196	405 359
Rental charges	77 007	134 878
Sewerage	2 267 492	758 275
VAT	278 866	1 043 775
Water	3 862 193	1 465 214
	20 792 653	**27 073 458**

Included in above is statutory receivables are non-exchange receivables		
Rates	17 630 703	3 332 647
Net balance	**38 423 356**	**30 406 105**

Figures in Rand	2020	2019

5. Consumer debtors disclosure (continued)

Rates		
Current (0 -30 days)	144 138	5 561 858
31 - 60 days	6 523 327	2 573 614
61 - 90 days	3 937 050	2 145 955
91 - 120 days	3 567 006	1 883 316
121 - 365 days	21 836 986	11 161 904
> 365 days	72 787 623	52 026 398
Impairment	(91 165 427)	(72 020 398)
	17 630 703	**3 332 647**

Electricity		
Current (0 -30 days)	-	4 645 174
31 - 60 days	5 420 590	1 396 828
61 - 90 days	950 864	401 189
91 - 120 days	850 613	145 489
121 - 365 days	2 670 173	564 405
> 365 days	5 242 102	3 677 503
Impairment	(10 133 654)	(6 446 015)
	5 000 688	**4 384 573**

Water		
Current (0 -30 days)	7 130	2 141 040
31 - 60 days	2 922 973	977 711
61 - 90 days	1 914 952	618 010
91 - 120 days	1 695 928	574 215
121 - 365 days	8 745 526	3 334 374
> 365 days	23 265 393	12 656 480
Impairment	(34 689 709)	(18 836 616)
	3 862 193	**1 465 214**

VAT		
Current (0 -30 days)	-	1 335 165
31 - 60 days	60 862	491 562
61 - 90 days	75 781	327 168
91 - 120 days	72 425	202 967
121 - 365 days	504 368	1 308 138
> 365 days	1 850 750	5 629 616
Impairment	(2 285 320)	(8 250 841)
	278 866	**1 043 775**

Sewerage		
Current (0 -30 days)	2 631	1 220 874
31 - 60 days	1 745 497	546 213
61 - 90 days	1 060 024	440 939
91 - 120 days	920 541	390 108
121 - 365 days	4 982 662	2 044 281
> 365 days	12 735 030	6 528 378
Impairment	(19 178 893)	(10 412 518)
	2 267 492	**758 275**

Figures in Rand	2020	2019

5. Consumer debtors disclosure (continued)

Refuse

Current (0 -30 days)	1 832	588 533
31 - 60 days	819 284	221 113
61 - 90 days	446 614	173 944
91 - 120 days	380 445	148 275
121 - 365 days	1 871 135	725 407
> 365 days	5 226 980	2 896 819
Impairment	(7 646 094)	(4 348 732)
	1 100 196	**405 359**

Interest

Current (0 -30 days)	-	1 158 859
31 - 60 days	5 718	1 063 094
61 - 90 days	-	1 015 756
91 - 120 days	-	997 451
121 - 365 days	103 790	6 107 291
> 365 days	21 194 355	30 534 959
Impairment	(15 728 216)	(40 777 904)
	5 575 647	**99 506**

Fees

Current (0 -30 days)	28 060	270 915
31 - 60 days	282 996	83 136
61 - 90 days	1 507	379 557
91 - 120 days	1 510	48 520
121 - 365 days	1 016 234	1 266 614
> 365 days	4 397 478	2 097 962
Impairment	(4 455 688)	(4 012 446)
	1 272 097	**134 258**

Rental charges

Current (0 -30 days)	-	199 673
31 - 60 days	108 899	26 306
61 - 90 days	55 766	21 610
91 - 120 days	31 840	16 811
121 - 365 days	162 101	71 337
> 365 days	797 423	632 829
Impairment	(1 079 022)	(833 688)
	77 007	**134 878**

Merchandising and jobbing

Current (0 -30 days)	-	564 701
31 - 60 days	344 792	198 612
61 - 90 days	97 608	6 700
91 - 120 days	85 724	8 429
121 - 365 days	341 379	225 859
> 365 days	3 234 728	20 341 324
Impairment	(2 745 764)	(2 698 005)
	1 358 467	**18 647 620**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

5. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	147 971	491 210
31 - 60 days	8 976 957	8 723 724
61 - 90 days	5 167 297	4 696 347
91 - 120 days	4 434 865	3 984 621
121 - 365 days	26 103 256	22 159 336
> 365 days	96 001 334	103 775 771
	140 831 680	143 831 009
Less: Allowance for impairment	(118 490 696)	(119 900 312)
	22 340 984	**23 930 697**
Industrial/ commercial		
Current (0 -30 days)	35 589	39 471
31 - 60 days	8 438 416	7 611 991
61 - 90 days	2 656 663	1 909 781
91 - 120 days	2 581 523	1 200 606
121 - 365 days	13 214 761	6 103 618
> 365 days	46 239 725	27 006 983
	73 166 677	43 872 450
Less: Allowance for impairment	(58 511 645)	(38 034 962)
	14 655 032	**5 837 488**
National and provincial government		
Current (0 -30 days)	230	-
31 - 60 days	819 565	993 161
61 - 90 days	716 206	805 126
91 - 120 days	589 644	347 106
121 - 365 days	2 916 336	2 954 903
> 365 days	8 490 805	6 239 513
	13 532 786	11 339 809
Less: Allowance for impairment	(12 105 446)	(10 701 889)
	1 427 340	**637 920**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(168 636 373)	(145 225 384)
Contributions to allowance	(20 654 390)	(32 553 258)
Debt impairment written off against allowance	183 767	9 142 269
	(189 106 996)	**(168 636 373)**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

6. Statutory receivables

Fines	1 317 390	3 159 033
Consumer debtors - Rates	17 630 703	3 332 647
	18 948 093	**6 491 680**

Statutory receivables general information

Transaction(s) arising from statute

Property rates arise from the Municipal Property Rates Act (Act no 6 of 2004)

Traffic fines arise from the Criminal Procedures Act (Act no 51 of 1977)

Determination of transaction amount

The transaction amount for property rates is determined using the policy on Revenue from non-exchange transactions.

The transaction amount for traffic fines is determined by the offence incurred in accordance with the Criminal Procedures Act (Act no 51 of 1977)

Interest or other charges levied/charged

Interest is charged on overdue consumer debtors - rates and is calculated using the nominal interest rate.

No interest charged on traffic fines. Other charges includes contempt of court which is not due to the municipality.

Basis used to assess and test whether a statutory receivable is impaired

All statutory receivables that are past due or uncollected were impaired.

Impairment on property rates is calculated based on a risk and payment scoring system.

Impairment on traffic fines is calculated on an average rate of payment for the current and prior years.

Discount rate applied to the estimated future cash flows

No discount rate was used in the property rates and traffic fines impairment calculation.

Statutory receivables past due but not impaired

All Statutory receivables past due was impaired.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

6. Statutory receivables (continued)

Statutory receivables impaired

As of 30 June 2020, Statutory receivables of R119 476 515 (2019: R100 382 603) were impaired and provided for.

The amount of the provision was R100 528 422 as of 30 June 2020 (2019: R93 890 927).

The ageing of these receivables are as follows:

Current (0-30 days)	2 413 438	10 818 066
31 - 60 days	6 529 327	3 324 501
61 - 90 days	3 937 050	3 147 137
91 - 120 days	5 219 706	5 637 750
121 - 365 days	23 945 936	16 167 816
> 365 days	77 431 058	61 287 333
	119 476 515	**100 382 603**

Factors the entity considered in assessing statutory receivables impaired

The calculations and scoring used when completing the Type Risk Payment report for property rates are based on the following:
- Accounts aging
- Accounts status
- Account type

The average payment rate is used to evaluate the traffic fines.

Reconciliation of provision for impairment for statutory receivables

Opening balance	(93 890 927)	(79 952 928)
Allowance for impairment	(17 547 351)	(14 353 124)
Amounts written off as uncollectible	10 909 856	415 125
	(100 528 422)	**(93 890 927)**

Statutory receivables pledged as security

No statutory receivables was pledged as security.

Credit quality of statutory receivables

The credit quality of statutory receivable transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

None of the financial assets that are fully performing have been renegotiated in the last year.

7. VAT receivable

VAT	7 909 199	9 544 576

8. Agreements

Agreements consist of consumer debtor payments. Short term agreements are payment arrangements shorter than 12 months and long term agreements are payment arrangements that are longer than 12 months.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

8. Agreements (continued)

Current portion	279 461	602 024
Non-current portion	113 240	182 470
	392 701	**784 494**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	(1 736)	(883)
Cash balances	9 187 411	12 223 993
Short-term deposits	1 016 289	1 455 392
	10 201 964	**13 678 502**

Credit quality of cash at bank and short-term deposits, excluding cash on hand

Credit rating		
Investments	1 016 289	1 455 392
Cash and cash equivalents	7 638 683	10 517 589
Less: Unspent conditional grants	(21 848 077)	(11 289 899)
	(13 193 105)	**683 082**

One of the investment accounts are pledged as security, the rest are call accounts. Therefore readily convertables and there is an insignificant risk for a change in value.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA bank - Current account (Primary Bank Account) - 13-3000-0062	6 907 944	10 308 174	754 839	8 460 258	12 008 123	1 808 093
ABSA bank - Call account - 40-7836-0937	730 739	209 415	733 594	733 452	209 415	733 594
ABSA bank - Call account - 92-9574-5884	99 493	22 855	1 852	99 493	22 855	1 852
ABSA bank - Fixed deposit - 206-670-1092	916 796	846 299	800 000	916 796	846 299	800 000
ABSA bank - CIBCOR - 407-374-1532	-	881	2 200	-	881	2 200
Total	**8 654 972**	**11 387 624**	**2 292 485**	**10 209 999**	**13 087 573**	**3 345 739**

The following bank accounts was closed during the year and therefore the balance is zero on the bank statement and the cash book:

- ABSA CIBCOR account number 407-374-1532

Figures in Rand	2020	2019

10. Investment property

	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	279 138 852	279 138 852	284 835 563	284 835 563

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	284 835 563	(5 696 711)	279 138 852

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	282 015 409	2 820 154	284 835 563

Pledged as security

None of the investment properties is pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was Tuesday, 30 June 2020. Revaluations were performed by an independent valuer, Mr TJ Nel a professional valuer [SACPVP (6990/2) , MSAIV, NDRE (Property valuation)], of i@Consulting. i@Consulting is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on comparable market transactions.No discount rate is applicable and the fair value represents the market value.

Maintenance of investment property

No costs were incurred to maintain investment property as investment property consists of vacant land.

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	67 868 477	(44 903 008)	22 965 469	67 868 472	(43 498 807)	24 369 665
Community facilities	102 193 951	(50 078 345)	52 115 606	89 937 250	(37 853 537)	52 083 713
Emergency equipment	125 989	(112 554)	13 435	125 989	(104 502)	21 487
Furniture and fixtures	5 141 323	(4 465 605)	675 718	5 141 323	(4 032 332)	1 108 991
Infrastructure	1 203 498 110	(605 929 045)	597 569 065	1 136 621 884	(583 491 218)	553 130 666
Land	103 763 102	(24 853 160)	78 909 942	103 764 101	(24 854 159)	78 909 942
Motor vehicles	24 557 834	(22 705 539)	1 852 295	24 557 833	(21 232 293)	3 325 540
Office equipment	12 020 269	(10 974 967)	1 045 302	11 754 485	(10 469 106)	1 285 379
Plant and machinery	2 386 853	(1 868 611)	518 242	2 243 053	(1 546 273)	696 780
Recreational assets	29 047 590	(8 571 143)	20 476 447	30 010 210	(8 571 144)	21 439 066
Total	**1 550 603 498**	**(774 461 977)**	**776 141 521**	**1 472 024 600**	**(735 653 371)**	**736 371 229**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Derecognition cost	Derecognition accumulated depreciation	Increase in provision	Depreciation	Total
Buildings	24 369 665	-	-	-	-	(1 404 196)	22 965 469
Community facilities	52 083 713	2 902 938	-	-	-	(2 871 045)	52 115 606
Emergency equipment	21 487	-	-	-	-	(8 052)	13 435
Furniture and fixtures	1 108 991	-	-	-	-	(433 273)	675 718
Infrastructure	553 130 666	56 970 286	(57 679)	32 348	9 580 256	(22 086 812)	597 569 065
Land	78 909 942	-	-	-	-	-	78 909 942
Motor vehicles	3 325 540	-	-	-	-	(1 473 245)	1 852 295
Office equipment	1 285 379	318 215	(52 431)	46 982	-	(552 843)	1 045 302
Plant and machinery	696 780	143 800	-	-	-	(322 338)	518 242
Recreational assets	21 439 066	-	-	-	-	(962 619)	20 476 447
	736 371 229	**60 335 239**	**(110 110)**	**79 330**	**9 580 256**	**(30 114 423)**	**776 141 521**

Notes to the Annual Financial Statements

Figures in Rand

11. **Property, plant and equipment (continued)**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Derecognition cost	Derecognition accumulated depreciation	Increase in provision	Depreciation	Total
Buildings	25 908 360	-	-	-	-	(1 538 695)	24 369 665
Community facilities	43 375 299	11 652 953	-	-	-	(2 944 539)	52 083 713
Emergency equipment	32 199	-	(2 340)	2 340	-	(10 712)	21 487
Furniture and fixtures	1 365 289	175 200	(134 181)	134 181	-	(431 498)	1 108 991
Infrastructure	508 229 901	67 150 562	(215 334)	138 569	556 965	(22 729 997)	553 130 666
Land	78 909 942	-	-	-	-	-	78 909 942
Motor vehicles	4 871 864	-	-	-	-	(1 546 324)	3 325 540
Office equipment	2 582 199	408 365	(1 869 300)	1 869 300	-	(1 705 185)	1 285 379
Plant and machinery	1 045 380	25 965	(47 934)	47 934	-	(374 565)	696 780
Recreational assets	22 434 426	-	-	-	-	(995 360)	21 439 066
	688 754 859	**79 413 045**	**(2 269 089)**	**2 192 324**	**556 965**	**(32 276 875)**	**736 371 229**

Pledged as security

None of the assets was pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

11. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Community assets	2 902 936	11 652 953
Infrastructure assets	56 970 286	67 150 561
	59 873 222	**78 803 514**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
MWIG various water projects Delays due to the enforced nationwide level 5 lockdown to combat the spread of the Covid-19 pandemic from 27 May to 30 April 2020, which also affected the turnaround time for delivery of materials in level 4 and 3 of the nationwide lockdown.	44 004 138	42 436 794
Bela Bela substation (inter electrification program) The none completion of this project was due to the underperformance of the appointed service providers; hence the termination was realised.	35 786 769	35 786 769
Moloto street sports stadium Delays due to the enforced nationwide level 5 lockdown to combat the spread of the Covid-19 pandemic from 27 May to 30 April 2020, which also affected the turnaround time for delivery of materials in level 4 and 3 of the nationwide lockdown	15 097 880	14 163 546
	94 888 787	**92 387 109**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Roads: Bela Bela street paving Sub-Contractors stopped all activities on site in January 2020 due to non-payment by the main contractor. After that was resolved, the nationwide lockdown enforced to combat the spread of the Covid-19 pandemic delayed the project further and it could not recover since then. No impairment losses have been recognised in relation to these assets.	640 220	1 016 259
MV substations: construction of 20 MVA substation in Bela Bela The none completion of this project was due to the underperformance of the appointed service providers; hence the termination was realised. No impairment losses have been recognised in relation to these assets.	6 006 984	6 006 984
Drainage collection: stormwater Marikana street Delays due to the enforced nationwide level 5 lockdown to combat the spread of the Covid-19 pandemic from 27 May to 30 April 2020, which also affected the turnaround time for delivery of materials in level 4 and 3 of the nationwide lockdown. No impairment losses have been recognised in relation to these assets.	1 082 888	1 082 888
Bela Bela substation (inter electrification program) The none completion of this project was due to the underperformance of the appointed service providers; hence the termination was realised. No impairment losses have been recognised in relation to these assets.	35 786 769	35 786 769
	43 516 861	**43 892 900**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community facilities	Total
Opening balance	94 309 997	14 163 546	108 473 543
Additions/capital expenditure	56 970 286	2 902 936	59 873 222
Transferred to completed items	(18 446 055)	-	(18 446 055)
	132 834 228	**17 066 482**	**149 900 710**

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community facilities	Total
Opening balance	63 437 680	2 510 593	65 948 272
Additions/capital expenditure	67 150 561	11 652 953	78 803 514
Transferred to completed items	(36 278 243)	-	(36 278 243)
	94 309 998	**14 163 546**	**108 473 543**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2020	2019
General expenses	9 814 014	16 457 488

Land which the entity controls without legal ownership or custodianship

In some instances the municipality is not the legal owner or the custodian of land, but assessed that it controls such land. Included under Property, plant and equipment are 16 land parcels which are not registered in the name of the municipality.

<u>Key judgments made and assumptions applied to conclude that it controls such land include</u>:

The municipality exercises control over the municipal facilities and infrastructure situated on these land parcels
The municipality determines the utilisation of the land
The municipality controls the access to the land parcels

	2020	2019
Carrying value of land included in the carrying value of Property, plant and equipment	1 708 200	1 708 200

12. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 506 689	(1 291 988)	1 214 701	2 506 688	(973 952)	1 532 737
Servitudes	645 664	-	645 664	645 664	-	645 664
Total	**3 152 353**	**(1 291 988)**	**1 860 365**	**3 152 352**	**(973 952)**	**2 178 401**

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	1 532 737	(318 036)	1 214 701
Servitudes	645 664	-	645 664
	2 178 401	**(318 036)**	**1 860 365**

Reconciliation of intangible assets - 2019

	Opening balance	Derecognition cost	Derecognition accumulated depreciation	Amortisation	Total
Computer software	1 849 815	(78 219)	78 219	(317 078)	1 532 737
Servitudes	645 664	-	-	-	645 664
	2 495 479	**(78 219)**	**78 219**	**(317 078)**	**2 178 401**

Pledged as security

None of the intangible assets was pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

12. Intangible assets (continued)

Intangible assets with an idefinite usefil life

The servitudes recognised in the asset register represent a right of way to land in order to service and maintain municipal infrastructure, such as below ground water networks, and since land is considered to have an indefinite lifespan, the servitude embeds the same lifespan properties.

Notes to the Annual Financial Statements

Figures in Rand

13. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical assets	538 950	-	538 950	538 950	-	538 950

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical assets	538 950	538 950

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical assets	538 950	538 950

Pledged as security

None of the heritage assets pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

14. Payables from exchange transactions

	2020	2019
Accrued bonus	2 854 429	2 666 643
Accrued leave pay	9 051 814	7 862 986
Accrued payroll expenses	5 341 791	5 105 356
Deposits on sale of land	417 559	417 559
Other creditors	108 670	108 670
Payments received in advanced - contract in process	9 643 691	27 156 949
Retentions	20 867 562	18 810 874
Trade payables	95 834 224	89 653 123
Unknown deposits	5 493 360	4 499 524
Year end accruals	4 074 812	(755 278)
	153 687 912	**155 526 406**

15. Consumer deposits

	2020	2019
Electricity	5 364 846	5 365 143
Housing rental	4 878	5 394
Refuse	2 034	-
Regional services levies	69 474	5 689
Water	582 535	402 458
	6 023 767	**5 778 684**

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2020	2019
Integrated National Electrification Programme	6 903 978	8 718 019
Municipal Disaster Relief Grant	(650)	-
Municipal Infrastructure Grant	2 581 304	-
Municipal Water Infrastructure Grant	12 362 508	2 571 881
	21 847 140	**11 289 900**

Movement during the year

	2020	2019
Balance at the beginning of the year	11 289 900	1 002 259
Additions during the year	170 956 634	183 450 000
Income recognition during the year	(160 399 394)	(173 162 359)
	21 847 140	**11 289 900**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

17. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Increase in provision	Total
Rehabilitation of landfill site	48 493 598	13 790 610	62 284 208
Performance bonus	682 193	130 862	813 055
	49 175 791	**13 921 472**	**63 097 263**

Reconciliation of provisions - 2019

	Opening Balance	Increase in provision	Total
Rehabilitation of landfill site	44 600 307	3 893 291	48 493 598
Performance bonus	477 412	204 781	682 193
	45 077 719	**4 098 072**	**49 175 791**

	2020	2019
Non-current liabilities	62 284 208	48 493 598
Current liabilities	813 055	682 193
	63 097 263	**49 175 791**

Rehabilitation of landfill site

The provision for the rehabilitation of the landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2020 by i@Consulting (Pty) Ltd. Its is calculated as the present value of the future obligation, discounted at prime interest rate.

The following key assumption were used: CPI of 4.6% (2019: 4.194%), discount rate of 7.25% (2019: 7.9447%) and nett effective discount rate 0.35% of (2019: 3.75%). The remaining estimated life of the landfill site of 5 years is used in the discounted calculation of the provision.

Provision for rehabilitation of landfill site		
Balance at the beginning of te year	48 493 598	44 600 307
Changes in provision of landfill closure	9 580 256	556 965
Interest charge	4 210 354	3 336 326
	62 284 208	**48 493 598**

Performance Bonus

The provision for the performance bonus has been calculated at 10% of the relevant Section 56 Manager's package as per the Department of Provincial and Local Government guidelines on Performance Management and based on the past experience of Section 56 managers paid out bonuses.

In accordance with regulation 32, a performance bonus, based on affordability, may be paid to the employee after:
- the annual report for the financial year under review has been tabled and adopted by municipal council
- the evaluation of performance in accordance with the provisions of regulation 23; and
- approval of such evaluation by the municipal council as a rewards for outstanding performance.

Movement in the performance bonus		
Opening balance	682 193	477 412
Reversed	(682 193)	(477 412)
Additional provision	813 055	682 193

Figures in Rand	2020	2019

17. Provisions (continued)

	813 055	**682 193**

18. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Post employment medical aid benefit	41 699 000	33 447 773
Long service awards	6 301 000	6 208 417
	48 000 000	**39 656 190**
Non-current liabilities	(45 274 870)	(37 295 957)
Current liabilities	(2 726 000)	(2 361 103)
	(48 000 870)	**(39 657 060)**

Defined benefit plan

Post-retirement Health Care Benefits

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aids Funds, with which the municipality is associated a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post retirement benefits are provided to the se employees.

The most recent actuarial valuations of plan asset and the present value of the defined benefit obligation were carried out at 30 June 2020 by ZAQ Consultants and Actuaries, a fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the Projected Unit Credit Method. An actuarial valuation has been performed of the liability in respect of the post-employment health care benefits to employees and retirees of Bela- Bela Municipality and to their registered dependants.

The nominal and zero curves as at 30 June 2020 supplied by the Johannesburg Stock Exchange was used to determine the discount rate and Consumer Price Index (CPI) assumptions at each relevant time period. Previously only one discount rate was used to value the liabilities.

The medical aid contribution inflation used in the valuation is 6.82% (CPI + 1%). This rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period.

As at the valuation date, the medical aid liability was unfunded.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	33 447 773	41 613 870
Benefits paid	(995 979)	(1 290 507)
Net expense recognised in the statement of financial performance	9 247 206	(6 875 590)
	41 699 000	**33 447 773**

Net expense recognised in the statement of financial performance

Current service cost	2 266 000	2 328 000
Interest cost	4 047 000	4 182 000
Actuarial (gains)/losses	2 934 206	(13 385 590)
	9 247 206	**(6 875 590)**

Figures in Rand	2020	2019

18. Employee benefit obligations (continued)

Post retirement medical aid plan

Current liabilities	1 431 000	1 419 000
Non-current liabilities	40 268 000	32 029 000
	41 699 000	**33 448 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.33 %	9.33 %
Health care cost inflation	6.82 %	6.82 %
Nett effective discount rate	2.35 %	2.35 %
CPI (Consumer Price Inflation)	5.32 %	5.32 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed medical aid inflation would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	6 594 000	8 996 000
Effect on defined benefit obligation	36 456 000	48 061 000

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Post retirement medical benefits	41 699 000	33 447 773	41 613 870	39 188 870	37 447 894

Long-service awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of conitinuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by ZAQ Consultants and Actuaries, a fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

18. Employee benefit obligations (continued)

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1 261 000	1 460 000
Effect on the long service award liability	5 917 000	6 723 000
	7 178 000	**8 183 000**

Amounts for the current and previous four years are as follows:

	2020	2019	2018	2017	2016
Long service awards	6 301 000	6 208 417	5 854 000	5 037 000	4 671 000

19. Service charges

	2020	2019
Sale of electricity	114 927 712	109 504 341
Sale of water	31 805 903	27 254 761
Sewerage and sanitation charges	17 854 990	15 478 551
Solid waste	8 585 125	7 596 470
	173 173 730	**159 834 123**

20. Agency services

	2020	2019
Vehicle Registration	3 490 156	2 496 703

21. Other income

	2020	2019
Admin fee	63 295	49 836
Advertisment	2 881	-
Building plan approval	238 542	198 562
Collection charges	1 631 805	2 507 693
Fire brigade levies	336 043	258 789
Licensing street vending	1 153	-
Penalties - tampered meters	106 018	132 948
Printing and duplicates	2 939	5 516
Procurement income	452 784	374 088
Staff recoveries	1 769 796	1 624 702
Surplus cash	1 203 696	2 219 018
	5 808 952	**7 371 152**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

22. Investment revenue

Interest revenue		
Interest received from investments	1 718 509	1 764 101
Interest received from receivables from exchange transactions	5 148 292	4 737 213
Interest received from statutory receivables	6 962 385	6 286 493
	13 829 186	**12 787 807**

The amount included in Investment revenue arising from exchange transactions amounted to: R 5 148 292 (2019: R 4 737 213)

The amount included in Investment revenue arising from non-exchange transactions amounted to: R 6 962 385 (2019: R 6 286 493)

23. Actuarial (loss) / gain

Long service award	210 414	381 583
Post-retirement medical aid benefit	(2 934 206)	13 385 590
	(2 723 792)	**13 767 173**

Refer to note 18 for more details on employment benefits.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

24. Property rates

Rates received

Business	12 022 802	8 313 560
Other	274 073	238 536
Residential	49 046 251	48 327 186
Small holdings and farms	7 621 018	8 311 443
State	5 827 437	3 569 867
	74 791 581	**68 760 592**

Valuations

Accommodation establishment	62 051 000	62 051 000
Commercial	738 219 000	738 219 000
Farms agricultural	3 818 881 000	3 818 881 000
Farms business	586 359 000	586 359 000
Farms other	45 635 000	45 635 000
Farms residential	631 632 000	631 632 000
Farms vacant land	528 796 000	528 796 000
Industrial	15 400 000	15 400 000
Municipal property	21 078 000	21 078 000
Private open space	15 959 000	15 959 000
Public benefit activities	54 217 000	54 217 000
Public service infrastructure	8 433 000	8 433 000
Residential	3 667 770 000	3 667 770 000
Small holdings agricultural	18 803 000	18 803 000
Small holdings business	39 994 000	39 994 000
Small holdings other	393 000	393 000
Small holdings residential	123 903 000	123 903 000
Small holdings vacant land	167 484 000	167 484 000
Vacant business	8 616 000	8 616 000
Vacant residential	776 268 000	776 268 000
	11 329 891 000	**11 329 891 000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 01 July 2016. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.006 (2019: R 0.006) is applied to property valuations to determine assessment rates.
The rate randages are as follows:

Business and industrial R 0.015
Farms agriculture is R 0.0078
Farms agriculture (bona fide) R 0.0031
Government properties R 0.0157
Residential properties R 0.0125
Vacant land business R 0.0157
Vacant land residential R 0.0157

The new general valuation will be implemented on 01 July 2021.

Figures in Rand	2020	2019

25. Government grants and subsidies

Operating grants		
Equitable share	90 909 000	81 986 259
Local Government Finance Management Grant	1 700 000	1 699 999
Expanded Public Works Programme Integrated Grant for Municipalities	1 046 000	1 154 000
SETA Grant	211 634	213 048
Municipal Disaster Relief Grant	179 650	-
	94 046 284	**85 053 306**
Capital grants		
Integrated National Electrification Programme	7 814 040	6 861 982
Municipal Infrastructure Grant	23 329 696	37 530 000
Municipal Water Infrastructure Grant	35 209 373	42 928 119
	66 353 109	**87 320 101**
	160 399 393	**172 373 407**

Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is allocated in terms of s214 of the Constitution (Act 108 of 1996) to the to the municipality by the National Treasury. In terms of the constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Integrated National Electrification Programme

Balance unspent at beginning of year	8 718 019	72 065
Current-year receipts	6 000 000	15 580 000
Conditions met - transferred to revenue	(7 814 042)	(6 861 981)
Other	-	(72 065)
	6 903 977	**8 718 019**

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

The purpose of this grant is to facilitate the planning, funding and implementation of national electrification projects and all related bulk infrastructure.

Local Government Financial Management Grant

Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
	-	-

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

The purpose of the FMG Grant is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

The conditions of the grant are as follows:

Appointment of an appropriately skilled municipal manager and CFO.
Appointment of at least two interns for the purpose of building future financial management capacity.
Council resolution committing council to reforms.

Figures in Rand	2020	2019

25. Government grants and subsidies (continued)

Expanded Public Works Programme Integrated Grant for Municipalities

Current-year receipts	1 046 000	1 154 000
Conditions met - transferred to revenue	(1 046 000)	(1 154 000)
	-	-

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

Municipal Water Infrastructure Grant

Balance unspent at beginning of year	2 571 881	930 194
Current-year receipts	45 000 000	45 500 000
Conditions met - transferred to revenue	(35 209 373)	(42 928 119)
Other	-	(930 194)
	12 362 508	**2 571 881**

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

The purpose of this grant is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable manner for the benefit of all people and environment, through effective policies, integrated planning, strategies, knowledge based and procedures.

Municipal Infrastructure Grant

Current-year receipts	25 911 000	37 530 000
Conditions met - transferred to revenue	(23 329 696)	(37 530 000)
	2 581 304	-

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

The municipal infrastructure grants complement the equitable share grants for local government; however, it is provided conditionally to municipalities.

The key principles underpinning the design of the MIG are outlined below:

Focus on infrastructure required for a basic level of service: The MIG programme is aimed at providing only basic infrastructure.

Maximising economic benefits: The programme will be managed to ensure that the local economic spin-offs through providing infrastructure are maximised.

Equity in all the allocation and use of funds: The mechanism for distributing funds must provide for equitable access to such funds by the poor to make uniform progress in closing the infrastructure gap.

Municipal disaster relief grant

Current-year receipts	179 000	-
Conditions met - transferred to revenue	(179 000)	-
Expenses not recovered	(650)	-
	(650)	-

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

25. Government grants and subsidies (continued)

The purpose of the grant is to assist the municipality in responding and implementing measures to prevent the spread of Covid-19.

26. Fines, penalties and forfeits

Municipal Traffic Fines	6 565 250	6 090 600

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

27. Employee related costs

Acting allowances	744 670	2 481 187
Bargaining council	42 000	39 889
Basic	78 544 665	71 115 203
Bonus	6 256 468	6 301 990
Car allowance	9 482 441	7 409 648
Cellphone allowance	2 059 185	988 154
Current service cost	2 266 000	2 328 000
Fire allowance	1 008 620	27 000
Housing benefits and allowances	376 289	336 492
Leave pay provision charge	4 262 308	2 307 507
Long-service awards	340 756	735 248
Medical aid - company contributions	7 069 478	7 074 418
Overtime payments	13 340 267	12 680 572
Post employment benefits	15 318 879	14 043 059
Skills development levy	663 753	265 604
Unemployment insurance fund	662 674	632 785
Workmens compensation	19 991	1 361 592
	142 458 444	**130 128 348**

Remuneration of Municipal Manager: S.M. Makhubela

Annual remuneration	804 282	791 808
Car allowance	317 316	311 448
Contributions to UIF, medical and pension gunds	186 117	144 310
Other allowance	-	23 988
Cellphone allowance	42 000	-
	1 349 715	**1 271 554**

Remuneration of Chief Financial Officer: R.M. Marutha

Annual remuneration	530 313	513 901
Car allowance	215 928	207 987
Contributions to UIF, medical and pension funds	121 524	116 388
Cellphone allowance	36 000	23 988
	903 765	**862 264**

Remuneration of Corporate Services Manager: J.B. Selapyane

Annual remuneration	574 539	563 477
Car Allowance	246 772	237 694
Contributions to UIF, Medical and Pension Funds	174 073	158 754
Cellphone allowance	36 000	23 988
	1 031 384	**983 913**

The position of Corporate Services Manager was appointed 1 April 2019.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

27. Employee related costs (continued)

Remuneration of Technical Services Manager: H.B. Maswanganyi

Annual remuneration	584 145	476 395
Car allowance	246 772	198 950
Contributions to UIF, medical and pension funds	162 038	118 414
Cellphone allowance	36 000	19 990
	1 028 955	**813 749**

The technical manager was appointed 1 September 2019.

Remuneration of Planning and Economic Development Manager: T.B Mnisi

Annual remuneration	547 394	503 406
Car allowance	215 930	174 574
Contributions to UIF, medical and pension funds	117 410	156 694
Cellphone allowance	36 000	23 988
Acting allowance	-	74 538
	916 734	**933 200**

The planning and economic manager was appointed 1 May 2019.

Remuneration of Acting Manager for Social Department: M.A. Serote

Annual remuneration	49 674	503 406
Car allowance	19 538	176 818
Cellphone allowance	3 000	23 988
Contributions to UIF, medical and pension funds	9 239	152 104
Acting allowance	16 368	54 556
	97 819	**910 872**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

28. Remuneration of councillors

Executive Mayor	912 986	872 443
Speaker	767 802	706 919
Chief Whip	710 651	686 618
Mayoral Committee Members	1 128 150	2 443 986
Executive Councillors	4 171 513	2 653 940
	7 691 102	**7 363 906**

Executive Mayor: M.J. Ngobeni		
Remuneration	528 770	506 472
Cellphone allowance	44 400	44 400
Car allowance	208 320	202 299
Contributions to UIF, medical and pension funds	131 497	119 272
	912 987	**872 443**

Speaker: R.Z. Moeletsi		
Remuneration	584 928	537 286
Cellphone allowance	44 400	44 400
Car allowance	1 825	-
Contributions to UIF, medical and pension funds	136 648	125 233
	767 801	**706 919**

Chief Whip: M.H. Ledwaba		
Remuneration	444 225	431 127
Cellphone allowance	44 400	44 400
Car allowance	156 242	151 722
Contributions to UIF, medical and pension funds	65 784	59 369
	710 651	**686 618**

Mayoral Committee Member: S.E. Maluleka		
Remuneration	403 197	374 454
Cellphone allowance	44 400	44 400
Car allowance	156 242	151 722
Contributions to UIF, medical and pension funds	109 910	99 556
	713 749	**670 132**

Mayoral Committee Member: M.N. Ras		
Remuneration	321 949	308 532
Cellphone allowance	44 400	44 400
Contributions to UIF, medical and pension funds	48 053	42 727
	414 402	**395 659**

Councillor: P.M. Aphane		
Remuneration	198 586	195 657
Cellphone allowance	44 400	44 400
Car allowance	84 608	82 158
Contributions to UIF, medical and pension funds	74 188	63 276
	401 782	**385 491**

Councillor: F.S. Hlungwane		
Remuneration	151 468	150 160
Cellphone allowance	44 400	44 400

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

28. Remuneration of councillors (continued)

Car allowance	65 922	64 014
Contributions to UIF, medical and pension funds	58 079	52 697
	319 869	**311 271**

Councillor: M.J. Makhubela		
Remuneration	173 330	177 806
Cellphone allowance	44 400	44 400
Car allowance	65 922	64 014
Contributions to UIF, medical and pension funds	35 122	25 051
	318 774	**311 271**

Councillor: Y.M.S. Malete		
Remuneration	205 234	200 640
Cellphone allowance	44 400	44 400
Car allowance	84 608	82 158
Contributions to UIF, medical and pension funds	67 749	58 292
	401 991	**385 490**

Councillor: B.T. Maname		
Remuneration	208 576	211 441
Cellphone allowance	44 400	44 400
Contributions to UIF, medical and pension funds	67 269	55 430
	320 245	**311 271**

Councillor: T.R. Masemola		
Remuneration	166 490	164 283
Cellphone allowance	44 400	44 400
Car allowance	65 922	64 014
Contributions to UIF, medical and pension funds	42 439	38 575
	319 251	**311 272**

Councillor: L.R. Modimola		
Remuneration	231 908	226 784
Cellphone allowance	44 400	44 400
Car allowance	84 608	82 158
Contributions to UIF, medical and pension funds	35 576	32 149
	396 492	**385 491**

Councillor: A.R. Mosweou		
Remuneration	158 096	156 432
Cellphone allowance	44 400	44 400
Car allowance	65 922	64 014
Contributions to UIF, medical and pension funds	51 195	46 426
	319 613	**311 272**

Councillor: K.L. Mothokwa		
Remuneration	146 314	149 656
Cellphone allowance	44 400	44 400
Car allowance	65 922	58 767
Contributions to UIF, medical and pension funds	63 318	58 448

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

28. Remuneration of councillors (continued)

	319 954	**311 271**

Councillor: S.D. Seale		
Remuneration	238 034	233 470
Cellphone allowance	44 400	44 400
Contributions to UIF, medical and pension funds	36 290	33 401
	318 724	**311 271**

Councillor: M.D. Senosha		
Remuneration	181 165	177 806
Cellphone allowance	44 400	44 400
Car allowance	65 922	64 014
Contributions to UIF, medical and pension funds	27 726	25 051
	319 213	**311 271**

Councillor: M.A. Shika		
Remuneration	250 910	226 784
Cellphone allowance	44 400	44 400
Car allowance	84 608	82 158
Contributions to UIF, medical and pension funds	35 691	32 149
	415 609	**385 491**

29. Depreciation and amortisation

Property, plant and equipment	30 114 423	29 633 519
Intangible assets	318 036	317 078
	30 432 459	**29 950 597**

30. Finance costs

Overdue accounts	7 757 034	4 031 427
Land fill site	4 210 354	3 336 326
Employee stated benefit	4 515 351	4 780 000
	16 482 739	**12 147 753**

31. Debt impairment

Debt impairment allowance - consumer debtors	20 470 623	23 410 989
Debt impairment allowance - traffic fines	(12 507 532)	3 939 747
Bad debts written off	20 474 379	9 528 999
	28 437 470	**36 879 735**

32. Bulk purchases

Electricity	96 526 135	85 000 383
Water	15 179 147	12 198 126
	111 705 282	**97 198 509**

Electricity losses

	Number 2020	Number 2019		
Units purchased	86 965 595	91 028 083	68 647 742	131 562 888
Units sold	(75 128 255)	(78 977 867)	(59 303 740)	(114 146 712)
Total loss	**11 837 340**	**12 050 216**	**9 344 002**	**17 416 176**
Comprising of:				
Technical losses	1 183 734	1 205 021	934 440	1 741 617
Non-technical losses	10 653 606	10 845 195	8 409 562	15 674 559
Total	**11 837 340**	**12 050 216**	**9 344 002**	**17 416 176**
Percentage Loss:				
Technical losses			10 %	10 %
Non-technical losses			4 %	3 %
Total			**14 %**	**13 %**

Technical losses occur when power dissipates in the transmission lines and transformers due to electrical resistance. Contributing factors to these losses are: system failures, unbalanced loading, overloading, low voltage, load shedding and deteriorating infrastructure. Non-technical losses are due to consumers or personnel actions. Contributing factors are: power theft, meter tampering, meter bypass, illegal connections, unpaid bills, consumer non-payment and faulty meters.

Notes to the Annual Financial Statements

Figures in Rand

32. Bulk purchases (continued)

Water losses

	Number 2020	Number 2019		
Units purchased	3 082 678	2 908 957	29 777 455	16 954 447
Units sold	(2 429 785)	(2 199 646)	(23 518 070)	(12 866 829)
Total	**652 893**	**709 311**	**6 259 385**	**4 087 618**
Comprising of:				
Technical losses	97 934	120 583	947 910	705 349
Non-technical losses	554 959	588 728	5 311 475	3 382 269
Total	**652 893**	**709 311**	**6 259 385**	**4 087 618**
Percentage Loss:				
Technical losses			15 %	9 %
Non-technical losses			6 %	15 %
Total			**21 %**	**24 %**

Technical losses occur when water is lost in the reticulation lines and in treatment plants due to backwash. Contributing factors to these losses are :system failures, unbalanced networks, high pressure, pipe bursts and deteriorating infrastructure. Non-technical losses on water are due to consumers or personnel actions. Contributing factors are: water theft, meter tampering, meter bypass, illegal connections, no billing, unpaid bills, consumer non-payment and faulty meters and the delay by operators to repair reported leakages.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

33. Contracted services

Outsourced Services		
Catering Services	17 709	-
Connection/Dis-connection	-	315
Debt Collectors and Tracers	323 690	113 000
Security Services	9 756 093	9 004 336
Traffic Fines Management	265 284	-
Transport Services	-	27 300
Consultants and Professional Services		
Business and Advisory	5 859 515	6 314 068
Legal Cost	20 374 028	3 532 433
Contractors		
Aerial Photography	-	4 000
Catering Services	145 210	339 564
Maintenance of Municipal Vehicles	1 001 262	190 000
Maintenance of Equipment	818 938	987 256
Maintenance of Unspecified Assets	2 300 304	1 950 786
	40 862 033	**22 463 058**

34. General expenses

Advertising	261 389	455 247
Auditors remuneration	5 300 598	4 243 371
Bank charges	1 091 104	1 170 864
Capacity building	550 618	1 265 116
Chemicals	13 852	23 714
Cleaning	377 231	294 183
Commission paid	3 038 330	3 550 851
Community outreach programme	25 200	397 874
Fuel and oil	3 194 939	3 540 310
Hire	12 095 055	6 816 564
IT expenses	6 260 006	6 851 983
Insurance	1 488 484	903 856
Internal audit	208 432	71 106
Material losses	-	3 520 660
Other expenses	270 636	25 495
Postage and courier	94 068	371 701
Printing and stationery	301 730	759 353
Protective clothing	2 219 771	1 017 635
Repairs and maintenance	9 984 613	16 457 488
Subscriptions and membership fees	476 135	1 062 053
Telephone and fax	4 199 705	3 487 596
Training	28 665	586 439
Travel - local	225 096	968 482
	51 705 657	**57 841 941**

35. Auditors' remuneration

Fees	5 300 598	4 243 371

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

36. Cash generated from operations

Surplus	3 630 954	56 005 358
Adjustments for:		
Depreciation	30 114 423	29 633 519
Amortisation	318 036	317 078
Fair value adjustments	5 696 711	(2 820 154)
Debt impairment	28 437 470	36 879 735
Loss on disposal of PPE	30 779	76 765
Movements in retirement benefit assets and liabilities	8 343 810	(1 956 810)
Movements in provisions	-	(5 854 000)
Finance cost - Rehabilitation provision	4 210 354	3 336 326
Increase in leave and performance bonus accrual	502 485	(467 982)
Changes in working capital:		
Inventories	(60 015)	(61 497)
Receivables from exchange transactions	(4 649 670)	(32 270 484)
Receivables from non-exchange transactions	(30 003 764)	(1 268 496)
Agreements	391 793	(458 017)
Receivables from non-exchange transactions	(332 249)	(501 028)
Unknown deposit	993 836	(1 345 680)
Payables from exchange transactions	(3 203 952)	(1 208 648)
VAT	1 635 377	2 311 977
Unspent conditional grants and receipts	10 557 240	10 287 641
Consumer deposits	245 083	128 972
Prior year adjustments	-	57 997
	56 858 701	**90 822 572**

37. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Agreements	392 701	392 701
Cash and cash equivalent	10 201 964	10 201 964
Trade and other receivables from exchange transactions	23 772 119	23 772 119
	34 366 784	**34 366 784**

Financial liabilities

	At amortised cost	Total
Consumer deposits	6 023 767	6 023 767
Trade and other payables from exchange transactions	153 687 912	153 687 912
Unspent conditional grants and receipts	21 874 140	21 874 140
	181 585 819	**181 585 819**

37. Financial instruments disclosure (continued)

2019

Financial assets

	At amortised cost	Total
Agreements	784 494	784 494
Cash and cash equivalents	13 678 502	13 678 502
Trade and other receivables from exchange transactions	30 012 568	30 012 568
	44 475 564	**44 475 564**

Financial liabilities

	At amortised cost	Total
Consumer deposit	5 778 684	5 778 684
Trade and other payables from exchange transactions	155 526 406	155 526 406
Unspent conditional grants	11 289 900	11 289 900
	172 594 990	**172 594 990**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	53 571 250	29 874 358
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	226 037 200	237 490 351
Total capital commitments		
Already contracted for but not provided for	53 571 250	29 874 358
Not yet contracted for and authorised by accounting officer	226 037 200	237 490 351
	279 608 450	**267 364 709**

Authorised operational expenditure

Already contracted for but not provided for		
• Operating commitments	15 528 022	23 327 335
Total operational commitments		
Already contracted for but not provided for	15 528 022	23 327 335

This committed expenditure relates to plant and equipment as required by GRAP 19 and will be financed by available bank facilities, accumulated surpluses, existing cash resources, funds internally generated etc.

The municipality owns properties that are leased out to employees for the period not exceeding 12 months. The municipality leases land to various entities for the purposes of farming and network equipment transmission. Lease periods range from five to ten years.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 583 104	8 218 460
- in second to fifth year inclusive	-	1 583 104
	1 583 104	**9 801 564**

Operating lease payments represent rentals payable by the municipality to the following service providers. No contingent rent is payable.

Nashua - The municipality leased printers from Nashua for a period of 36 months, effective from 24 July 2014. There were no defaults or breaches and no terms or condition were negotiated during the reporting period.

Fedelity Cash Solutions- The municipality has a lease with Fedelity Cash Solutions for a period of 36 months, effective from 1 August 2017. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

Bertobrite Fleet Management - The Municipality leases vehicles from Bertobrite Fleet Management for a period of 36 months, effective from 01 February 2016. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

39. Contingencies

Malebye Business Enterprises CC t/a Malebye Petroleum // NTK Limpopo Agric Limited and 5 Others

Nare of the matter - Civil application

On 12 July 2018, the Municipality was served with an application by Malebye Business Enterprises CC for the High Court in Polokwane to grant an order directing NTK Limpopo Agric Limited to cease all retailing activities on their property situated at Pienaarsrivier in the ordinary course of events. They further requested the municipality to provide them with a report setting out the legislative framework for issuing of approval of building plans, zoning requirements, compliance with servitudes amongst others.

Their contention is that the municipality in approving the building plans did not comply with the town planning scheme and the title conditions applicable to the property. That the municipality did not properly consider the restrictive title condition, the fuel tanks that had to be placed underground nor the servitude that formed a natural boundary between the applicant's property and NTK. Therefore leaving their rights being infringed by all the respondents including the municipality.
The application has a three (3) part notice of motion and the municipality is the first respondent, whilst our building control officers are cited as the seventh and ninth respondent in the proceedings.

The municipality has now filed reasons for the approval of the building plans, however, the applicants have now re-issued the same application despite the response of the municipality in an attempt to review the municipality's decision to approve NTK's building plans. NTK (2nd respondent) has filed a notice of exception against Malebye Business Enterprises CC, the said exception has been set down for hearing on August 2019. Our Attorneys will attend to hear the outcome.

Status: The municipality has filed reasons for the approval and awaits the applicant to take the matter further.

Claimed amount: No monetary claim.

Estimated potential expenditure on fees: R800 000.

39. Contingencies (continued)

Daniel Jacobus Koch

Nature of the matter: Civil-action summons for damages claim

The municipality was served with summons on 4 October 2018.
The plaintiff is suing for damages in the amount of R12 738, following an alleged collision between the plaintiff's vehicle with a pothole. We confirm that the plaintiff alleges that the pothole in question falls within the jurisdiction of the municipality and that the municipality failed to maintain the road and/or to repair the damages on the road.
The municipality has filed a notice to defend and plea. A pre-trial conference was concluded on 5 April 2019, pleadings have closed.
No further pleading from plaintiff since April 2019. Case has been closed. There are no financial implications.

Status: The case has been closed

Claim amount: No monetary claim

Estimated potential expenditure on fees: R0

Makwakwa/Lebelo/Bela Bela Local Municipality

Nature of the matter: Civil-Application

Matter is in the magistrate court of Bela Bela in relation to eviction proceedings over erf (1185 & 1186) and rectification process underway/hearing was set down for 10 June 2020 and postponed since pending outcome of high court matter.

Status: Matter is in progress. Status report was provided to the court and copied to client. Rectification was underway until halted by lockdown and high court application brought by Lebelo against the municipality.

Estimated potential expenditure on fees: R200 000 plus cost of replacement house in the event of offer from the municipality.

Lebelo/Bela Bela Local Municipality/Makwakwa

Nature of the matter: Civil-Application

Matter is in the Polokwane high court in relation to an application for interdict against the municipality to halt the rectification process over erf (1185 & 1186). Matter is set down for hearing on 4 August 2020.

Claim amount: No monetary claim

Estimated potential expenditure on fees: R350 000

Fidelis Motau & Others

Nature of the matter: Civil-Interdict

On 8 May 2020, the municipality obtained an interim court order against Fidelis Motau and 3 others for inter alia, their interference with the operations of the municipality.

Status: The matter has been postponed on two occasions to allow the respondents an opportunity to obtain legal representation. The matter has been postponed to 30 September 2020.

Claim amount: No monetary claim.

Estimated potential expenditure on fees: R150 000 limited to legal costs.

39. Contingencies (continued)
Illegal Land Grabbers of various Municipal Lands

Nature of the matter: Civil-Interdict

On 26 June 2020, the municipality obtained an interim court order against various land grabbers at the Masakahane, Extension 7, Hetbad and Roodepoort properties.

Status: The matter has been postponed to allow the respondents an opportunity to obtain legal representation. The respondents have obtained legal representation to oppose the matter. The matter has been postponed to 18 September 2020 to enable the municipality to file a responding affidavit.

Claim amount: No monetary claim

Estimated potential expenditure on fees: R250 000 limited to legal costs

40. Related parties

Relationships

	The municipality does not have related party transactions for the 2020 financial year
Members of key management	Refer to note 27 and 28

41. Comparative figures

Certain comparative figures have been restated, refer to note 51 - Prior-year adjustments for the detail.

42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

There was no change in the municipality's risk profile or risk policies.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2020	Less than 1 year
Consumer deposits	6 023 767
Trade and other payables	153 687 912
Unspent conditional grants and receipts	21 847 140

At 30 June 2019	Less than 1 year
Consumer deposits	5 778 684
Trade and other payables	155 526 406
Unspent conditional grants and receipts	11 289 900

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

42. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. The calculations and scoring used when completing the Type Risk Payment report, for consumer debtors are based on accounts aging, account status and account type. This assist the municipality to calculate the payment risk.

There was no change in the municipality's risk profile or risk policies

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Agreements	392 701	784 494
Cash and cash equivalents	10 201 964	13 678 502
Receivables from exchange transactions	23 772 119	30 012 568

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

44. Events after the reporting date

The Minister of Finance promulgated exceptions to Sections 126 (1) and (2), 127 (1) and (2), 129 (1) and 133 (2) of the MFMA per Government Gazette No. 43582 on 5 August 2020. Therefore municipalities must comply within two months after the deadline in the applicable provision. Hence municipalities must only submit annual financial statements to the Auditor-General of South Africa on 31 October 2020.

The two month extension and lockdown restrictions as a result of Covid-19 had no impact on debt collection or the ability to pay creditors as relief was provided to the municipality in the form of additional grants. The effect on the delay of projects is discussed in more detail in note 11.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

45. Unauthorised expenditure

Opening balance as previously reported	14 380 807	15 130 663
Opening balance as restated	**14 380 807**	**15 130 663**
Less: Amount written off - prior period	-	(15 005 084)
Add: Unauthorised expenditure - current period	16 439 804	14 255 228
Closing balance	**30 820 611**	**14 380 807**

Assessment as required by Circular 68 was conducted between the approved budget and the actual spent relating to vote structure (departmental functions). It was identified that the employee related cost budget was not properly allocated per department on the financial system when compared to budget tables. This resulted in material unauthorised expenditure per vote or per department. As a result the overall unauthorised expenditure of R16 439 804 was added during the current year.

The classification, validation and recoverability of all fruitless and wasteful expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.

46. Fruitless and wasteful expenditure

Opening balance as previously reported	3 822 678	2 191 338
Opening balance as restated	**3 822 678**	**2 191 338**
Add: Fruitless and wasteful expenditure - current period	7 757 035	3 822 678
Less: Amount written off - prior period	-	(2 191 338)
Closing balance	**11 579 713**	**3 822 678**

The current year fruitless and wasteful expenditure amounting to R7 757 035 is largely impacted by interest on late payment of Eskom invoices to the amount of R5 894 234, Magalies Water invoices to the amount of R995 036 and interest on late payment on VAT of R 107 428.

The classification, validation and recoverability of all fruitless and wasteful expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.

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47. Irregular expenditure

Opening balance as previously reported	-	6 439 851
Opening balance as restated	**-**	**6 439 851**
Add: Irregular expenditure - current period	18 406 186	11 126 964
Add: Irregular expenditure - prior period after audit	15 254 824	-
Less: Amount written off - current	-	(11 126 964)
Less: Amount written off - prior period	-	(6 439 851)
Closing balance	**33 661 010**	**-**

Details of irregular expenditure incurred

Included in the current year irregular expenditure is an amount of R15 254 824 which relate to the 2019 audit outcome . The reported irregular expenditure of the 2019/20 financial year of R18 406 186 which all relate to continuing contracts which were found to be in contravention of the Municipality's Supply Chain Management Policy during the 2018 financial year audit.

The nature of the irregular expenditure as required by the SCM regulation is as follows:

Tender process where certain qualifying bidders were disqualified	9 264 046
Not evaluated in terms of PPPFA	4 194 762
As a result of not following Section 32 of MSCR	858 000
Tenders that contravened the SCM regulation by not including if tenders were for a panel of service providers on the advert	4 089 378
	18 406 186

The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription	1 472 080	1 356 426
Amount paid - current year	(1 472 080)	(1 356 426)
	-	-

Material losses through criminal conduct

Opening balance	2 963 198	1 104 721
Amount incurred - current year	432 863	5 706 017
Amount recovered - current year	(398 129)	(326 880)
Amount written off - current year	-	(3 520 660)
	2 997 932	**2 963 198**

The material losses is debit orders which went fraudulently through the bank account. See note 36 for disclosure.

Investigation is still on-going and no amounts were written off in the current year.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	3 144 982	3 776 336
Current year fee	2 623 552	4 243 371
Amount paid - current year	(2 623 552)	(4 874 725)
Amount paid - previous years	(3 144 982)	-
	-	**3 144 982**

PAYE and UIF

Opening balance	2 628 474	2 628 474
Current year fee	20 962 115	18 635 805
Amount paid - current year	(19 312 423)	(18 635 805)
Amount paid - previous years	(2 628 474)	-
	1 649 692	**2 628 474**

Pension and medical aid deductions

Opening balance	3 448 747	3 371 240
Current year subscription / fee	34 638 117	29 745 986
Amount paid - current year	(31 691 358)	(29 668 479)
Amount paid - previous years	(3 448 747)	-
	2 946 759	**3 448 747**

VAT

VAT receivable	7 909 199	9 544 576

All VAT returns have been submitted by the due date throughout the year.

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. Hlungwane FS	1 457	-	1 457
Cllr. Ledwaba MH	606	-	606
Cllr. Makhubela MJ	1 402	-	1 402
Cllr. Malete YMS	1 749	-	1 749
Cllr. Maluleka SE	3 040	-	3 040
Cllr. Masemola TR	2 126	884	3 010
Cllr. Moeletsi RZ	1 003	-	1 003
Cllr. Mothokwa KL	404	-	404
Cllr. Ngobeni MJ	562	-	562
Cllr. Seale SD	1 618	-	1 618
Cllr. Senosha MD	377	106	483
Cllr. Shika MA	1 126	-	1 126
	15 470	**990**	**16 460**

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. Hlungwane FS	181	-	181
Cllr. Ledwaba MH	3 135	13 959	17 094
Cllr. Makhubela MJ	275	-	275
Cllr. Malete YMS	2 056	-	2 056
Cllr. Maluleka SE	1 122	-	1 122
Cllr. Masemola TR	1 611	-	1 611
Cllr. Moeletsi RZ	1 277	-	1 277
Cllr. Modimola LR	582	-	582
Cllr. Mothokwa KL	407	-	407
Cllr. Seale SD	3 783	7 084	10 867
Cllr. Senosha MD	201	-	201
Cllr. Shika MA	2 083	-	2 083
	16 713	**21 043**	**37 756**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2020	Highest outstanding amount	Aging (in days)
Cllr. Mseza REMM	10 487	-
Cllr. Maluleka SE	3 040	-
	13 527	**-**

30 June 2019	Highest outstanding amount	Aging (in days)
Cllr. Ledwba MH	13 959	210
Cllr. Seale SD	7 084	210
	21 043	**420**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

49. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next Council meeting and includes a note to the annual financial statements.

Edge Forensic and Risk consultants, Limpopo Department of Transport and Khuduyane Quigley (Pty) Ltd was appointed during the financial year under review. The process followed in procuring those services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for the deviation was documented and reported to the accounting officer who then considered these reasons and subsequently approved the deviation from the normal supply chain management regulations.

Deviation from SCM regulation	851 203	164 556

50. Budget differences

Material differences between budget and actual amounts

51.1: Service charge - Result of lower consumption and increased water and electricity losses
51.2 Rental of facilities and equipment - Lower collection due to vacant unit and resulted decrease in rental. Impact of country lockdown contributed to lower rental of facilities
51.3: Cemetery fees - Lower collection due to lesser deaths that occurred during the year
51.4: Interest received - investment - Surplus cash was invested to yield additional interest income
51.5: Property rates - Budget process took the valuation roll into account without considering subsequent objections to the roll
51.6: Government grants and subsidies - Variance is driven by the National Treasury allocation of grants to the municipality
51.7: Fine, penalties and forfeits - Decrease is a as a result of reduced number of offences
51.8: Finance cost - Variance relate to interest cost under employee benefit, landfill site, actuarial valuation and Eskom charges for late payment. Higher spending is as a result of increased charges by Eskom for late payment in addition to increased actuarial interest cost
51.9: Debt impairment - The variance is as a result of increased write off which were identified as irrecoverable
51.10: Contracted service - Realignment was done to align item to meet mSCOA reporting
51.11: General expenses and other materials - Realignment was done to align item to meet mSCOA reporting
51.12: Loss on disposal of assets and liabilities - Variance as result of accounting loss on sale of assets identified during assets verification
51.13: Fair value adjustments - Variance relates to fair value adjustments raised under investment property after an assessment performed on municipal investment properties
51.14: Actuarial gains/losses - Variance relates to gain/loss on long service award and employment benefit raised during the actuarial valuation assessment conducted at year end
51.15: Inventories - Variance due to the write off of obsolete inventory
51.16: Receivables from exchange transactions, Statutory receivables and VAT receivable - Variance due to lower sale of goods which led to lower receivables
51.17: Agreements - Line item was reclassified to align to mSCOA chart
51.18: Receivables from non-exchange transactions - Line item was reclassified to align to mSCOA chart
51.19: Cash and cash equivalents - Variance is due to increased investment income received and continued implementation of cost containment measures
51.20: Intangible assets - Variance is due to write off and amortisation of intangible assets
51.21: Heritage assets - Variance is due to budgeting consideration of heritage assets being appreciated in value while the final assessment revealed that there is no indication of an increased value
51.22: Agreements - Line item was reclassified to align to mSCOA chart
51.23: Payables from exchange transactions - Variance is as a result of implementing cost containment measures which led to the municipality having cash reserves that allows the municipality to pay creditors
51.24: Unspent conditional grants and receipts - Line item was reclassified to align to mSCOA chart
51.25: Provision and Employee benefit obligation - Variance is due in the landfill and the performance bonus obligation as compared to the prior year provision

51. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2019

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
		-	-	-	-	-
Receivables from exchange transactions		2 417 418	19 089 652	-	8 505 498	30 012 568
Receivables from non-exchange transactions		6 491 680	-	(6 491 680)	1 886 241	1 886 241
Statutory receivables		-	-	6 491 680	-	6 491 680
Consumer debtors		8 505 498	-	-	(8 505 498)	-
VAT receivable		11 866 219	(2 321 644)	-	-	9 544 575
Sundry receivables		1 886 241	-	-	(1 886 241)	-
Cash and cash equivalents		13 086 692	591 810	-	-	13 678 502
Property, plant and equipment		737 497 398	(1 126 169)	-	-	736 371 229
Payables from exchange transaction		(149 303 167)	(1 723 690)	-	(4 499 524)	(155 526 381)
Provision (current)		(1 624 205)	-	-	942 012	(682 193)
Unknown deposits		(4 499 524)	-	-	4 499 524	-
Employee benefit obligation (current)		-	(1 419 091)	-	(942 012)	(2 361 103)
Employee benefit obligation (non-current)		(33 448 643)	1 419 091	-	(5 266 405)	(37 295 957)
Provisions (non-current)		(53 760 003)	-	-	5 266 405	(48 493 598)
Accumulated surplus - opening balance		(755 756 305)	(13 400 425)	-	-	(769 156 730)
Deficit / (surplus) for the year		(54 895 824)	(1 109 534)	-	-	(56 005 358)
		(271 536 525)	**-**	**-**	**-**	**(271 536 525)**

Statement of financial performance

2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		159 321 887	512 235	-	159 834 122
Rental of facilities and equipment		1 375 575	11 942	-	1 387 517
Contracted services		(2 053 550)	-	(20 409 508)	(22 463 058)
Finance cost		(11 549 753)	(598 000)	-	(12 147 753)
Employee costs		(130 726 348)	598 000	-	(130 128 348)
General expenses		(78 836 806)	585 357	20 409 508	(57 841 941)
Surplus for the year		**(62 468 995)**	**1 109 534**	**-**	**(61 359 461)**

51. Prior-year adjustments (continued)

Cash flow statement

2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash flow from operating activities					
Sale of goods and services		132 596 130	4 394 488	-	136 990 618
Other receipts		11 771 104	121 331	-	11 892 435
Employee cost		(136 783 873)	-	4 182 000	(132 601 873)
Suppliers		(171 322 566)	(3 930 462)	-	(175 253 028)
Finance costs		(4 031 427)	-	(4 182 000)	(8 213 427)
		(167 770 632)	**585 357**	**-**	**(167 185 275)**

Errors

The following prior period errors adjustments occurred:

Error 1

Errors were identified relating to credit notes processed on old invoices which where subsequently reversed incorrectly during the 2018/2018 financial year.

Statement of financial position	
Payables from exchange transactions	735 059
VAT receivable	(2 321 644)
Accumulated surplus	1 586 585
	-

Error 2

Certain Eskom transactions were incorrectly processed in the main account cashbook during the 2018/2019 financial year. These transactions were subsequently corrected.

Statement of financial position	
Cash and cash equivalents	6 454
Accumulated surplus	(6 454)
	-

Figures in Rand	2020	2019

51. Prior-year adjustments (continued)

Error 3

Prepaid sales

Revenue of R 512 236 relating to the 2018/2019 financial year was only received in the 2019/2020 financial year and an accrual was not raised to make provision for this receipt. The income should have been recorded in the 2018/2019 financial year.

Rental income

The occupier entered into a rental agreement with the municipality in the 2018/2019 financial year and was not charged any rental for the period 2018/10 to 2019/06. The municipality backdated these charges in July 2019 (2019/2020 financial year) on the relevant account.

Statement of finacial position	
Receivables from exchange transactions	524 177
Accumulated surplus	(524 177)
	-

Statement of financial performance	
Service charges	(512 235)
Rental of facilities and equipment	(11 942)
	(524 177)

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

51. Prior-year adjustments (continued)

Error 4

Investigation revealed that yearend accruals raised in the 2017/2018 and 2018/2019 financial years were not cleared after payment was made to the relevant third parties.

Statement of financial position	
Payables from exchange transactions	(12 111 145)
Accumulated surplus	12 111 145
	-

Error 5

Investigation revealed that payroll accruals raised in the 2017/2018 and 2018/2019 financial years were not cleared after payment was made to the relevant third parties.

Statement of financial position	
Payables from exchange transactions	10 094 132
Accumulated surplus	(10 094 132)
	-

Error 6

Correction of the 2018/2019 Infrastructure balance to align to the fixed asset register.

Statement of financial position	
Property, plant and equipment	(1 498 552)
Accumulated surplus	1 498 552
	-

Error 7

Corrections of the 2018/2019 Community assets and Land balances in order to align to the fixed asset register.

Statement of financial position	
Property, plant and equipment	180 999
Accumulated surplus	(180 999)
	-

Error 8

The 2018/2019 reported balances for Plant and machinery, Furniture and fixtures and Office equipment was corrected during the asset verification process.

Statement of financial position	
Property, plant and equipment	191 383
Accumulated surplus	(191 383)
	-

Error 9

Clearing of the consumer debtors sub-module account in order to align the control account to the age analysis.

Statement of financial position

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

51. Prior-year adjustments (continued)

Receivables from exchange transactions		18 565 472
Payables from exchange transactions		(441 737)
Accumulated surplus		(18 123 735)
		-

Error 10

The post employement medical aid benefit was not split between the current and not current portion during the 2018/2019 financial year. This was corrected in the restated 2019 figures presented.

Statement of financial position

Employee benefit obligation (current)		(1 419 091)
Employee benefit obligation (non-current)		1 419 091
		-

Error 11

The interest cost for the Long service award was included in Employee related cost and not Finance cost in the 2018/2019 financial year. The Long service award was reclassified to the Employee benefit obligation during the 2019/2020 financial year. As a result the interest cost was corrected .

Statement of financial performance

Employee related cost		(598 000)
Finance cost		598 000
		-

Error 12

Two investment accounts (FNB call account 62-045-841-485 and ABSA 40-737-415-32) were closed during the 2018/2019 financial year. The balances in these control accounts were not cleared correctly.

Statement of financial position

Cash and cash equivalents		585 357

Statement of financial performance

General expenses (Material losses)		(585 357)

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

51. Prior-year adjustments (continued)

Change in accounting policy

Change 1

GRAP108 *Statutory receivables*

No transitional provisions was applied.

Property rates and Traffic fines were accounted for under GRAP 23 *Receivables from non-exchange transactions* in the 2018/2018 financial period. GRAP108 *Statutory receivables* became effective for years beginning on or after 1 April 2019.

Both Property rates and Traffic fines are receivables that arise form legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset.

The municipality has adopted this standard for the first time in the 2019/2020 annual financial statements.

The adjustments made for each line item effected were as follows:

Statement of financial position	
Statutory receivables	6 491 680
Receivables from non-exchange transactions	(6 491 680)
	-

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

51. Prior-year adjustments (continued)

Reclassifications

Receivables from exchange transactions

Consumer debtors were reclassified to Receivables from exchange transactions for GRAP compliance.

Statement of financial position	
Receivables from exchange transaction	8 505 498
Consumer debtors	(8 505 498)
	-

Payables from exchange transactions

Unknown deposits were reclassified to Payables from exchange transactions for GRAP compliance.

Statement of financial position	
Payables from exchange transaction	(4 499 524)
Unknown deposits	4 499 524
	-

Employee benefit obligations

The Long service awards were reclassified from Provisions to the Employee benefit obligation as this is covered under GRAP25 *Employee benefits* and not GRAP19 *Provisions, Contingent laibilities and Contingent assets.*

Statement of financial performance	
Employee benefit obligation (current)	(942 012)
Provisions (current)	942 012
Employee benefit obligation (non-current)	(5 266 405)
Provisions (non-current)	5 266 405
	-

Contracted services

Contracted services were included in General expenses in the 2018/2109 financial year. During 2019/2020 these expenses were reclassified to Contracted services and are now presented separately in the annual financial statement as this is a material expense.

Statement of financial performance	
Contracted services	20 409 508
General expenses	20 409 508
	40 819 016

Sundry receivables

Sundry receivables were reclassified to Receivables from non-exchange transactions for GRAP compliance.

Statement of financial position	
Sundry receivables	1 886 241
Receivables from non-exchange transactions	(1 886 241)
	-